

Finance Committee Meeting
Special Meeting of the Chowan County Board of Commissioners
Thursday July 30, 2009
9:00 am
Chowan County Public Safety Center
305 West Freemason Street

MINUTES

The Chowan County Board of Commissioners held a special meeting on Thursday, July 30, 2009, at 9:00 am at the Chowan County Public Safety Center, 305 West Freemason Street.

Present, Chairman Eddy Goodwin, Vice Chairman Emmett Winborne, Commissioner Jimmy Alligood, Commissioner Louis Belfield, Commissioner Kenny Goodwin, Commissioner Ralph Cole and Commissioner Keith Nixon. Staff Present: County Manager Peter Rascoe, Finance Officer Lisa Jones and Clerk to the Board Susanne Stallings.

Chairman Eddy Goodwin called the meeting to order.

Introduction of County Tax Administrator

The County Manager, Peter Rascoe announced that he has hired Gene Rountree for the Department Head position of Tax Administrator effective August 1, 2009. He stated that it is recommended that the Board appoint the Tax Administrator as the statutorily required Tax Collector and Tax Assessor and if appointed, Mr. Rountree may be administered the oaths by the Clerk. He stated that Mr. Rountree was highly recommended based on his experience and his certifications.

Mr. Rountree stated that he was working with Pearson Appraisal Service after retiring from Nash County.

Chairman Eddy Goodwin welcomed Mr. Rountree and noted that his qualifications far exceeded his expectations for the Tax Collector/Administrator position.

Commissioner Winborne stated that based on his research Mr. Rountree was highly recommended.

Commissioner Kenny Goodwin said he was impressed with Mr. Rountree's remarks to him with regards to his new approach in the Tax Department.

Being no further discussion, Commissioner Alligood moved that the Board appoint Mr. Gene Rountree as Chowan County Tax Assessor.

Chairman Eddy Goodwin asked for all in favor, the motion carried unanimously (7-0).

Commissioner Cole then moved that the Board appoint Mr. Gene Rountree as Chowan County Tax Collector.

Chairman Eddy Goodwin asked for all in favor, the motion carried unanimously (7-0).

Clerk to the Board, Susanne Stallings then administered the following oath to Mr. Rountree.

“ I, Wilton Gene Rountree do solemnly swear that I will support and maintain the Constitution of the United States; and laws of North Carolina not inconsistent therewith, and that I will faithfully discharge the duties of my office as Tax Collector of Chowan County, and that I will not allow my actions as Tax Collector to be influenced by personal or political friendships, so help me God.

I, Wilton Gene Rountree, do solemnly swear that I will support and maintain the Constitution of the United States; and laws of North Carolina not inconsistent therewith, and that I will faithfully discharge the duties of my office as Assessor of Chowan County, and that I will not allow my actions as Assessor to be influenced by personal or political friendships, so help me God.

School Board Request

Superintendent of Edenton-Chowan Schools, Dr. Allan Smith presented information for the Board's consideration of the Board of Education request for the Board to authorize new debt financing from QZAB and QSCB funds. (Qualified Zone Academy Bond and Qualified School Construction Bonds Program). He provided the Board with a handout entitled Qualified Zone Academy Bonds (QZAB) Fast Facts, and a copy of the QZAB and QSCB applications from the Board of Education. A copy of the handouts is in the meeting file labeled July 30, 2009 Special Meeting. He noted that the state of the High School facility is well documented. He said that on two occasions the Board has moved to proceed in renovations on the facility. He said the Board of Education has secured several grants.

Dr. Smith stated that Chowan County qualifies because it is considered a low wealth environment. He noted that in-kind funds have been pledged adding that Chowan Hospital has pledged \$432,000. He stated the Board of Commissioners is responsible for repayment of the loans. Dr. Smith added that in 2003 the schools received \$2 million and in 2007 \$1.7 million. He said the 2007 monies have not been issued. He said the Bonds could sit in an account until 2014. Dr. Smith stated that Chowan County Schools have applied for \$4 million.

Commissioner Cole asked how the armory building was being used.

Dr. Smith said that the building houses math, ROTC, computer labs and alternative programs. He added that NC State has an office housed there. He said the wrestling and cheerleading teams also use the building. Dr. Smith added that not all renovations have been completed at the armory building.

Commissioner Cole disclosed that he is the Board of Commissioners appointed member to the Chowan Hospital Director Council and stated he did not want to have a conflict of interest in voting on the school request.

Dr. Smith presented a letter for Chowan Hospital's President, Jeff Sackrison. He noted the in-kind contribution was not cash money but a cooperative learning program for students to job shadow Chowan Hospital professionals.

County Manager, Peter Rascoe noted that the "in-kind" contribution was handled administratively by the Hospital President and not the Hospital Board.

Chairman Eddy Goodwin said he did not feel this was a conflict of interest for Commissioner Cole.

Commissioner Belfield asked about the prioritization of the repairs.

Dr. Smith said that the masonry and windows on the front of the building are first priority then the gym roof. He then detailed the QSCB application and noted this bond was approved through the stimulus act. He said Chowan County is eligible for \$1.89 million. Dr. Smith explained that the QZAB would be available until 2010 or 2011 and the QSCB would have until 2011 or 2012.

Commissioner Winborne asked the County Manager to provide the recommendation on this request from the LGC.

Mr. Rascoe said that the LGC did not say yes because of the current debt and low reserves of the County and even using tax anticipation notes the answer or recommendation would be no.

Commissioner Belfield moved that the Board approve the request.

Commissioner Kenny Goodwin said that the 2003 QZAB bond that was awarded in March 2005, Chowan County is still paying for it.

Commissioner Nixon said as a member of the Sub-Finance Committee, the committee reviewed the request from the school and recommended that the School not proceed with the application for new bonds. He said he called the County's Auditor to hear his recommendation on the schools request when looking at the County's debt ratio. He said the Auditor said the LGC would look at the reserves of the County and would not approve them given the financial state. He stated the average fund balance of most counties is 23.62%. Commissioner Nixon said the County is recommended to have 8%. He said he would like to see the school renovated but he has to make a good fiscal decision for the County. He said that after talking with the County's auditor, the County is beginning to turn a corner with its debt but he felt the Schools needed to be patient while the County is repairing its financial condition.

Commissioner Alligood said he values Commissioner Nixon's work and his report confirmed his suspicions of the County taking on more debt.

Commissioner Winborne said he felt the Board should adhere to the LGC's advice by not taking on more debt.

Commissioner Nixon added that the Board is going to listen to the LGC's recommendation.

Commissioner Belfield asked how long it would be before the bonds become available to the County again.

Dr. Smith said the bonds are available year to year and he could not answer that question.

Chairman Goodwin called for a vote to the motion on the floor, the motion failed (6-1 Belfield).

Chairman Goodwin added that his personal opinion was that he would love to build a school however the LGC is telling the Board that this is not the best thing for Chowan County to do. He said that the county does not have an 8% fund balance and the LGC is watching the actions of this Board. He said that the School has had money in its reserves but the requested renovations have not been handled to date. He said he was passionate about saving Chowan County from a financial disaster and asking for the county to take on more debt was a waste of time.

Commissioner Cole said he wanted to vote yes, but after hearing the report from the LGC, he changed his mind. He said he hoped to see the bond monies come around again for Chowan County.

Dr. Smith thanked the Board for their time and added that the Board of Education has an obligation to bring forth opportunities like these bonds. He said that he felt the school board has paid attention to the facility needs. He suggested that the County and the Board of Education need to come back to meeting quarterly.

Chairman Goodwin said that he agreed communications need to be established between the school and Board of Commissioners. He said that as the Chairman he wanted to fix the systematic failure of communication.

Commissioner Nixon said that he wanted the School Board to know it is a priority on the County's list.

Discussion of items:

Mr. Rascoe reported that tax and water collections to date were \$2,046,611.95. He said that private citizens have been the majority to take advantage of the early payment discount providing \$1,889,332.59 in total ad valorem payments. He said this is 6 times the amount collected at this time last year. He said that this shows the early payment discount is attacking the cash flow challenge.

Finance Officer, Lisa Jones provided the Board with the six month cash flow projection. She noted that she has invested \$1 million in an unreserved fund. She added that the School Board historically has deferred the current expense invoice until October of each fiscal year. She said

last year it was deferred until December when news of the fiscal crisis came to light. She said she has received a request to draw in the month of August.

Commissioner Nixon asked if any statutes govern when the County disburses monies to the Schools.

Mr. Rascoe said not to his knowledge and traditionally the payment was released in October after the invoice is received in September.

Ms. Jones said for the past 11 years this has been done this way.

Mr. Rascoe said he feels the County should hold the line on its disbursement to the Schools.

Commissioner Nixon moved that the committee review the request at the next months meeting, unless the School Board makes any further contact on the request.

Ms. Jones added that she felt the School had already made the July payroll.

Chairman Goodwin asked for all in favor, the motion carried unanimously (7-0).

Mr. Rascoe said he has received a query from a Board member on the possibility of pursuing another sales tax referendum. He noted the previous referendum failed on the 2008 election ballot. He said that another referendum would require a county-wide election and the expense for hiring poll workers in a non-election year was not budgeted. He noted that the General Assembly has presented a bill that includes a one cent increase in sales tax state wide.

Commissioner Kenny Goodwin suggested that the Board wait to see what passes in the State budget and review in January of possibly putting a referendum on the May 2010 primary.

Chairman Eddy Goodwin asked the Clerk to put this item on the January 2010 agenda.

Introduction of County Auditor, Bryan Starnes, CPA/PA

Finance Officer Lisa Jones, introduced Bryan Starnes, CPA/PA of Martin Starnes and Associates, Chowan County's Auditor to make a presentation to the Board of Commissioners and entertain discussion and answer questions of the Board.

Mr. Starnes stated that his firm services 33 counties and over 60 municipalities in the State of North Carolina. He said that they issue over 100 audit reports. He said the goal of his firm is to leave a County better than they found it. He said that they provided internal control recommendations as well as practical solutions. He defined terms that are typically found in an audit report. Cash, fund balance, spent money (accounts payable), reserves, savings accounts, appropriated fund balance and contingency. He said the term transfer is permission to spend money and a loan is forgiveness. He said one finding in his audit is Chowan County has a lot of forgiveness in its budget and less permission. He said he has found un- recorded transfers in Solid Waste Budget; Water Fund fees had not covered its costs. He said that this is not necessarily the fault of the Board or the Management. He said he has found error adjustments

that need to be made. He said the LGC is aware of errors that are coming. He said he intends on providing the Board with an audit report that the Board can read. He said that there is a central depository in the County's budget with over 20 checking accounts. He said this structure will require discipline.

Commissioner Nixon said he would like to see a budget report in simplified form of departmental expenses. He said he would like to see something monthly tied directly to the budget. He said he can see how budget amendments can create confusion at the end of the year.

Attorney John Morrison arrived at the special meeting at was seated at the Board diasia.

Mr. Starnes said he hoped to provide the Board with a full audit report by the end of September. He said he will recommend that the Board remove Hospital cash deficits be removed from all funds and allow the funds to stand on their own. He said he would recommend putting the hospital fund monies in the General Fund to clean up the existing funds.

Chairman Goodwin stated that the Board would have stronger controls of the reserve monies through budget ordinances.

Mr. Morrison recommended that the Board's motion address that upon the advice of the auditor to remove the remaining Hospital reserves and place it in the general fund.

Commissioner Kenny Goodwin moved that the Board accept the auditor's recommendation to clean up the existing fund balances and incorporate the hospital reserve monies into the General Fund.

Chairman Eddy Goodwin asked for all in favor, the motion carried unanimously (7-0).

Commissioner Cole was excused from the meeting.

Mr. Rascoe asked the auditor of his opinion of the County serving as fiscal agent for other organizations such as the Northeast Albemarle Group and the Economic Development Corporation.

Mr. Starnes said he would recommend that the County allow these entities oversee their checkbook.

Mr. Morrison discussed General Statutes on pre-audit certifications.

Mr. Starnes said that the interpretation of the law is correct.

Mr. Morrison discussed contracts or MOA's for non-profits.

Mr. Starnes said that it is not uncommon for Counties to request or require audited financial statements from these types of entities.

Executive Session

Commissioner Nixon moved that the Board hold a closed session pursuant to North Carolina General Statute §143-318.11(a) (3) to consult with the County Attorney to preserve the attorney-client privilege regarding potential judicial action.

Chairman Goodwin asked for all in favor, the motion carried unanimously (6-0)

The minutes of the executive session are sealed to preserve the attorney –client privilege.

The executive session was closed and the media that were waiting outside in the hall were invited to attend the remainder of the meeting.

Chairman Goodwin explained that no action was taken in the executive session.

Commissioner Kenny Goodwin made a motion that the Board of Commissioners suspend funding to the Edenton Chowan Development Corporation (ECDC) immediately.

Commissioner Belfield asked if there was a contract between the County and the ECDC.

Discussion was held as to if there was an existing contract between the County and the ECDC. The County Manager said he was confident that no such contract exists.

Attorney Morrison advised the Board that if no contract exists between the County and the ECDC then funding of ECDC is at the Board's discretion.

Chairman Goodwin asked for all in favor, the motion passed (6-1 Belfield).

Being no further business, the meeting was adjourned.

Edward C. Goodwin, Chairman

L. Susanne Stallings, Clerk